

# Arkansas Insurance Department

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Commissioner

## STATEMENT FROM COMMISSIONER JULIE BENAFIELD BOWMAN

July 28, 2005

### **Subject: H.R. 525 (Federal Regulation of AHPs)**

Although on the surface H.R. 525 appears to address a dire need among America's uninsured, conversely, the recent passage of this Bill by members of the U. S. House of Representatives potentially opens the door to a greater problem for today's insurance consumer; insurance fraud.

The growing need for affordable health care insurance in the U.S. has fueled the passage of a bill that gives misdirected oversight to a federal entity, which arguably should remain under the purview of state regulation.

While it is clear that the admirable intentions of the U.S. Congress is to provide affordable health care to the growing population of uninsured, H.R. 525 orchestrates gaping loopholes which foster yet another growing problem in this country.

In recent years state insurance regulators have witnessed a strong surging of illegal and unauthorized health plans. In Arkansas alone from 2000-2002 four illegal or unauthorized issuers of health plans were uncovered and ordered by this State's Insurance Commissioner to cease its illegal activity. Untold numbers of individuals and families were adversely affected by those unauthorized operations and thousands of dollars were left in unpaid medical bills. In this instance, Arkansas's experience is in line with the report recently released by the Health Policy Institute entitled *"Association Health Plans: Loss of State Oversight Means Regulatory Vacuum and More Fraud."*

Should H.R.525 become law, state regulators would be seriously hampered in their ability to adequately protect insurance consumers. Consumers purchasing "anticipated coverage" from illegal plans would have little to no effective recourse of having claims paid. Currently, under H.R. 525, federal regulators would be required to seek permission from a federal court to shut down an illegal or unauthorized plan. This process would be time consuming, yet would likely yield little result in having the consumer made whole again. Furthermore, those illegal operations would not be prevented from continuing to manipulate and defraud other unsuspecting consumers.

The plight of the uninsured is a serious problem of great concern in America today. However in its current state, H.R. 525 neglects to effectively address the needs of this growing population of American consumers. Unfortunately, it contributes to the growing operation of insurance fraud.

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